

LS 6-2166

5 November 1956

**MEMORANDUM FOR: Special Assistant to the Director
for Planning and Coordination**

SUBJECT: Conflict of Interest

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1. I think it might be well to make a written statement of the problem raised by [] letter. In Government the conflict-of-interest problem has three aspects, legal, ethical, and political. The legal elements are normally easily recognizable and in our experience to date we have rarely encountered a situation which violates the statutory provisions in this regard. I would be surprised if any of the situations relating to [] and your other consultants would fall in this strictly legal field. The ethical considerations are largely a matter of the individual's conscience and are not of as great concern to the Agency as the political. Both, however, are normally susceptible of resolution by the same approach.

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2. It is our aim as I see it not only to deal straightforwardly with such consultants and others for their protection as well as our own, but also to maintain a record that will support our handling of conflict-of-interest situations in such a manner as to counter positively any unfriendly political attack.

3. As in almost every other field of activity, this Agency has some special problems in the field of conflict of interest. These involve both security and what are probably unique relationships.

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OGC Has Reviewed

MORI/CDF

[redacted]

the Government. There are many variations on this type of situation. Therefore, last year when the Department of Justice was reviewing the conflict-of-interest situation before the House Committee on Government Operations, I talked at length about our problems to Assistant Attorney General Stanley Barnes and his conflict-of-interest specialists. They agreed that some of our problems would not be encountered elsewhere in Government and also that so long as we moved into these situations with our eyes open and were in full control of the situation we probably could withstand criticism.

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4. Another good example in this regard is the case of [redacted] when he was requested to establish the TSS program. He was then a Director and majority stockholder in his own company, which engages in research and development in some of the TSS fields. In view of the relationship as well as the security problems, he felt his company could serve TSS better in some situations than another company. On the face of it, this is the clearest cut type of conflict of interest that Government officials are criticized for. We agreed, however, on the practical values of his company in some situations. Consequently, an arrangement was developed whereby his status was purely advisory with TSS and he had no power of independent decision, and, secondly, work going to his company was strictly limited in nature, carefully scrutinized by the approving authorities, and very closely audited. While we were of the opinion that this took the case out of any of the criminal aspects of conflict of interest, we raised the question to Mr. Dulles, who was then the Deputy Director, and with full knowledge of the political implications he approved the arrangements worked out for [redacted]

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[redacted] The latter, once alerted to the situation, divested himself of his Directorship and stock ownership as an additional precaution. This is probably the most clear-cut case, yet I believe we can justify it if we were to be attacked on it.

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5. In dealing with [redacted] and [redacted] and the others, it seems to me the answer is to recognize the problem, expose it thoroughly, and then come to a determination which is the Agency's determination and which is a matter of definite record so that it is quite clear exactly what has been done in each case. As an instance, I see no objection to purchasing [redacted] products while [redacted] is a consultant if we determine that the product is unique and necessary to our activities or otherwise

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is clearly in the best interest of the Government. There is a case on record of the Government buying special equipment from one of its own employees, which is a clear-cut precedent for such transaction.

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6. I would be very glad to discuss this further with the trustees and [] board, and I am always available for consideration of any one particular instance. I trust this is responsive to your inquiry and will be helpful for the meeting on 21 November.

S/

LAWRENCE R. HOUSTON
General Counsel

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cc: []

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subject-Conflict of Interest - *Per -12*

OGE:LRH:jeb []

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